

**PUBLIC DISCLOSURE**

May 24, 2000

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LYNN POLICE CREDIT UNION**

18 SUTTON STREET  
LYNN, MA 01901

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Lynn Police Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

The Lynn Police Credit Union was found to have a satisfactory performance with regard to the Community Reinvestment Act. The average net loan to share ratio over the past two years is at 36.6 percent, which is considered adequate given the credit union's size and mission. The distribution of credit among members of different income levels also appears adequate. A sample of 80 consumer loans for 1998 and 1999 showed that 15.0 percent were granted to low-income members and 26.3 percent to moderate-income members. Finally, the credit union was found to have a satisfactory performance with regard to fair lending.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Lynn Police Credit Union is a state chartered financial institution designed as an industrial credit union to provide products and services to its members. The credit union operates only one banking office located at 18 Sutton Street in Lynn, Massachusetts. The credit union's business hours are on Wednesday from 3:00 P.M. to 5:00 P.M., Thursday from 9:00 A.M. to 12 P.M. and again from 3:00 P.M. to 5:00 P.M., and Friday from 9:00 A.M. to 12:00 P.M.

As of December 31, 1999, Lynn Police Credit Union had total assets of \$9,852,167 with total loans representing \$3,335,325 or 33.9 percent of total assets. The following table details the credit union's loan portfolio as a percent of total loans.

<b>LOAN TYPE</b>	<b>AMOUNT</b>	<b>PERCENT</b>
New Vehicle Loans	1,490,917	44.7
Home Improvement Loans	947,821	28.4
Personal Loans	826,699	24.8
Shared Secured Loans	69,888	2.1
<b>Total Loans</b>	<b>3,335,325</b>	<b>100.0</b>

Source: NCUA 5300 Call Report Data as of December 31, 1999.

As shown in the table above, the largest portion of the loan portfolio is comprised of New Vehicle Loans with 44.7 percent, followed by Home Improvement Loans with 28.4 percent, Personal Loans with 24.8 percent and Shared Secured Loans with 2.1 percent. The credit union does not originate mortgage loans. Home improvement and new vehicle loans have a limit of \$40,000, and personal loans have a limit of \$10,000 which limits the amount of loans the credit union can originate.

The most recent Community Reinvestment Act (CRA) evaluation, performed by the Commonwealth of Massachusetts as of March 18, 1998 assigned a rating of "Satisfactory".

### **Description of Assessment Area (Membership)**

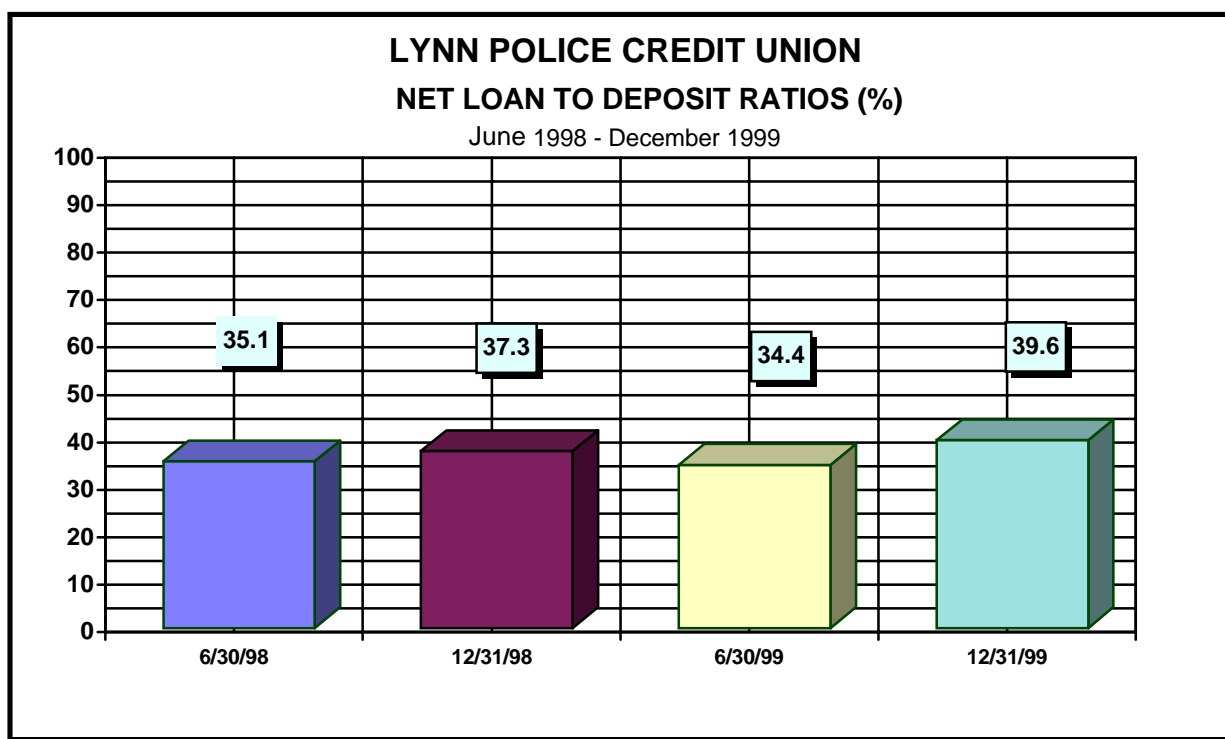
Lynn Police Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA Regulation, 209 CMR 46.41(8), which states "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Lynn Police Credit Union has elected to identify its assessment area in this manner.

The credit union's membership (as incorporated in its by-laws) is limited to members of the Lynn Police Department, Lynn District Court, the Swampscott Police Department, and their immediate families.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Lynn Police Credit Union's average net loan to deposit ratio was calculated by using the data reported in the previous four semi-annual NCUA Call Reports. This ratio is based on total loans net of the allowance for loan and lease losses as a percentage of total shares. The credit union's average net loan-to-share ratio for the period of June 30, 1998 through December 31, 1999 is 36.6 percent. At the previous state examination on March 18, 1998, the average net loan to deposit ratio was calculated to be 30.3 percent. As indicated in the table below, the bank's net loan to deposit ratio stands at 39.6 percent as of December 31, 1999. The following graph depicts the net loan to deposit ratio for each quarter under review.



Based on the above information, the credit union's net loan to deposit ratio is considered somewhat low. Management attributes the low loan to share ratio to: 1) members viewing the credit union as more of a depository institution; and 2) the limits on the amount of lending. Although the loan to deposit ratio is low, it has increased since the previous examination and is considered to marginally meet the standard for satisfactory performance.

### **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

Under the CRA regulation, 209 CMR, section 46.41(8), a credit union's membership that is not based on residence, such as the Lynn Police Credit Union, may define its

assessment area as its membership, as opposed to a geographic area. A membership defined assessment area does not consider any fixed limits on geography, therefore an evaluation of credit extended inside and outside of the assessment area was not conducted, as such an analysis would not be meaningful.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the credit union's consumer loans was analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family income for the Boston Metropolitan Statistical Area (MSA) where the loans reviewed were originated. These income figures (\$60,000 for 1998, and \$62,700 for 1999) are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The Lynn Police Credit Union originated 198 consumer loans in 1998 and 165 consumer loans in 1999. For the purpose of this examination, a sample of 80 consumer loan originations was reviewed for both years to obtain the borrowers income level. The review consisted of only personal loans, home improvement loans and new vehicle loans. Shared Secured loans were not used in this evaluation since members are borrowing against their own shares in the credit union. The following table shows the distribution of consumer loans sampled to low, moderate, middle and upper-income borrowers in each respective income group.

#### **Distribution of Consumer Loans to Borrowers of Different Income Levels**

<b>Borrower Income Level</b>	<b>1998</b>		<b>1999</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< 50%	7	17.5	5	12.5	12	15.0
50 - 79%	7	17.5	14	35.0	21	26.3
80 - 119%	17	42.5	17	42.5	34	42.5
> = 120%	9	22.5	4	10.0	13	16.2
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>

Source: Sample Consumer Loans 1998-1999

The sample of loans reviewed indicated that the credit union extended 15.0 percent of its loans (by number) to low-income borrowers and 26.3 percent to moderate-income borrowers. It should be noted, however that most of these consumer loans were originated to a single applicant and the analysis is based mostly on the comparison of a single applicant income to the median family income for the MSA. Accordingly, the percentage of originations occurring to low and moderate-income borrowers is somewhat inflated. Nevertheless, the distribution of consumer lending by borrower income

demonstrates the credit union's willingness to lend to members of all income levels, including those of low and moderate-income. Therefore, the distribution of credit among borrowers of different income levels meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

According to the CRA regulations, a credit union whose membership by-laws provisions are not based on residence is permitted to designate its membership as its assessment area. Since the Lynn Police Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

#### **5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

Based upon the review of the credit union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

##### ***REVIEW OF COMPLAINTS***

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to its CRA performance since the previous examination.

##### ***FAIR LENDING POLICIES AND PRACTICES***

Lynn Police Credit Union has established a Mission Statement that addresses discrimination in lending. Detailed below is the credit union's fair lending performance as it correlates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

##### **STAFF TRAINING**

The credit union's training is limited and not formalized since there are only three employees.

##### **STAFF COMPOSITION AND COMPENSATION**

Lynn Police Credit Union has a staff of three employees. The credit union Board of Directors consists of 11 individuals. Ten of the Board Members work for the Lynn Police Department and one works for the Lynn District Court.

##### **OUTREACH**

Outreach efforts are performed informally by members of the Board of Directors through contacts in the workplace.

## **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

Lynn Police Credit Union offers various consumer loan products to meet many of the credit needs of the members including personal loans, new vehicle loans, share secured loans and home improvement loans.

## **MARKETING**

The credit union's advertising is done through quarterly statements that are sent out to all members. These advertisements update members on rates and terms.

## **CREDIT EDUCATION**

Lynn Police Credit Union has not participated in any credit education seminars.

## **COUNSELLING**

The credit union refers members who are experiencing credit difficulties to a credit counseling agency in the area. Additionally, employees of the credit union work with individual members to guide them in credit choices.

## **SECOND REVIEW PRACTICES**

Lynn Police Credit Union has a credit committee that is comprised of three members of the Board of Directors. Every application is required to have two members approve the loan. Only one loan has been denied since the previous examination.

## **INTERNAL CONTROL PROCEDURES**

The credit union's management ensures that all members are treated fairly and that no discriminatory credit practices occur.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## **Lynn Police Credit Union**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MAY 24, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.